

Message Text

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51 L

ACTION STR-08

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FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 4773

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: ETRD, GATT, EEC, IT

SUBJECT: GATT ARTICLE XXIV:6 NEGOTIATIONS - TOBACCO

REF: ROME 6504

FOR STR AND AGRICULTURE

1. EMBOFFS SAW MINISTRY FOREIGN AFFAIRS (MFA) REP CALAMIA
(DIRECTOR, EC-GATT AFFAIRS) EVENING MAY 13 TO DISCUSS XXIV:6
TOBACCO SITUATION.

2. CALAMIA SAID COMMUNITY OFFICIALS WERE CONCERNED ABOUT
TECHNICAL PROBLEMS WHICH MIGHT ARISE IF SPECIAL TARIFF
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CATEGORY WERE CREATED FOR FLUE-CURED VIRGINIA (BRIGHT)

TOBACCO, I.E., HOW COULD ONE MAKE SURE PRODUCT WAS INDEED VIRGINIA (BRIGHT)? THIS QUESTION WOULD HAVE TO BE CONSIDERED IN DETAIL IN BRUSSELS, HE SAID, BEFORE EC COULD DECIDE WHETHER SEPARATE TARIFF CATEGORY FOR VIRGINIA (BRIGHT) TOBACCO WAS FEASIBLE.

3. EMBOFFS REPLIED THAT USDA AND US GROWERS/EXPORTERS APPEARED HAVE NO DIFFICULTY IN DISTINGUISHING BETWEEN VIRGINIA (BRIGHT) AND BURLEY. WE UNDERSTAND THAT VIRGINIA (BRIGHT) PRICES CURRENTLY SIGNIFICANTLY HIGHER THAN BURLEY PRICES, WHICH AT MOMENT APPEAR TO BE BELOW 280 UA THRESHOLD. WITH SEPARATE TARIFF CATEGORY FOR HIGHER PRICED VIRGINIA (BRIGHT) -- EMBASSY ASSUMES WE WISH RETAIN PRESENT FAVORABLE TARIFF STRUCTURE FOR ALL TOBACCO PRICED BELOW 280 UA -- AND PRESENT PRICE STRUCTURE IT APPEARS THAT NO RPT NO SIGNIFICANT VIRGINIA (BRIGHT) - BURLEY IDENTIFICATION PROBLEMS WOULD ARISE. MOREOVER, GIVEN NATURE OF PRODUCTS, THERE APPEARS TO BE RPT NO CHANCE OF CONFUSING WRAPPER TBJACCO WITH VIRGINIA (BRIGHT). SHOULD EC NOT FIND THIS ARGUMENT CONVINCING, EMBOFF SUGGESTED ON PERSONAL BASIS THAT IMPORT CERTIFICATION SYSTEM MIGHT SOLVE PROBLEM.

4. CALAMIA STATED IT WAS IN HIS OPINION UNFORTUNATE THAT TOBACCO NEGOTIATIONS HAD NOT BEEN ABLE PROCEED ALONG LINES OF COMMISSION'S ORIGINAL PROPOSAL, I.E., REDUCTION OF DUTY ON HIGHER PRICED TOBACCO, SINCE COMMISSION AND GOI HAD BEEN SO CLOSE TO AGREEMENT. EMBOFF RESPONDED THAT 55 UA MAXIMUM DUTY PROPOSED BY COMMISSION, WHICH CALAMIA CONFIRMED WAS PROBABLY MINIMUM GOI COULD ACCEPT, WOULD NOT RPT NOT HAVE BEEN ACCEPTABLE TO USG. SATISFACTORY XXIV:6 SETTLEMENT THEREFORE REQUIRED ANOTHER APPROACH. USG WOULD FIND EITHER SIGNIFICANT INCREASE IN 280 UA THRESHOLD PRICE OR SEPARATE CATEGORY FOR HIGH-PRICED VIRGINIA (BRIGHT) AT 14-45 ACCEPTABLE, BUT PREFERRED LATTER.

5. DURING CONVERSATION CALAMIA RECEIVED TELEPHONE CALL FROM SOAMES CHIEF OF CABINET IN BRUSSELS. AT CONCLUSION OF CALL CALAMIA INDICATED THAT APPROACH BASED ON SEPARATE CATEGORY FOR VIRGINIA (BRIGHT) APPEARED TO BE MOVING LIMITED OFFICIAL USE

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SATISFACTORILY IN BRUSSELS.

6. COMMENT. EMBASSY BELIEVES SEPARATE TARIFF CATEGORY FOR HIGH PRICED VIRGINIA (BRIGHT) HAS GOOD CHANCE OF BEING ACCEPTED BY COMMISSION AND EC MEMBER GOVERNMENTS IF IT CAN BE SHOWN TECHNICAL PROBLEMS DESCRIBED PARA (2) ABOVE ARE NOT RPT NOT SERIOUS. BASED ON CALAMIA'S REACTION, WE BELIEVE IT CAN BE ACCEPTED (AT 14-45 LEVEL)

BY GOI, VOLPE

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